

2Q 2023 EARNINGS CALL - FINAL TRANSCRIPT**AUGUST 2023****CORPORATE PARTICIPANTS***James Taylor, Chief Executive Officer and President**Mark Horgan, EVP, Chief Investment Officer**Angela Aman, EVP, Chief Financial Officer**Stacy Slater, SVP, Investor Relations**Brian Finnegan, EVP, Chief Revenue Officer***PRESENTATION****Stacy Slater**

Thank you Operator. And thank you all for joining Brixmor's second quarter conference call. With me on the call today are Jim Taylor, Chief Executive Officer and President; Angela Aman, Executive Vice President and Chief Financial Officer; and Brian Finnegan, Executive Vice President, Chief Revenue Officer. Mark Horgan, Executive Vice President and Chief Investment Officer, will also be available for Q&A. Before we begin, let me remind everyone that some of our comments today may contain forward-looking statements that are based on certain assumptions and are subject to inherent risks and uncertainties, as described in our SEC filings, and actual future results may differ materially. We assume no obligation to update any forward-looking statements. Also, we will refer today to certain non-GAAP financial measures. Further information regarding our use of these measures and reconciliations of these measures to our GAAP results are available in the earnings release and supplemental disclosure on the investor relations portion of our website. Given the number of participants on the call, we kindly ask that you limit your questions to one or two per person. If you have additional questions regarding the quarter, please re-queue. At this time, it's my pleasure to introduce Jim Taylor.

James Taylor

Thanks Stacy and good morning everyone. Our results this quarter once again demonstrate that platform and rent basis matter, as this long-awaited tenant disruption provides us the opportunity to bring in better tenants at better rents, continuing to drive our transformational value-added business plan and, importantly, setting us up for future outperformance. Consider that in a quarter where we recaptured nearly 300,000 square feet of space associated with tenant failures, we still grew overall and small shop occupancy to platform records. We realized new leasing spreads of 22.4% and set an all-time high new lease rate of \$24.30 PSF, bringing our average in-place rent to \$16.60 a foot, up 4.4% on a year-over-year basis. And as our record high net effective rent once again demonstrates, we continue to be disciplined with capital as we drive this high ROI activity.

Importantly, we are not only leveraging this disruption to drive growth in returns, we are also bringing in more vibrant uses to our well-located centers in the segments of grocery, specialty grocery, value apparel, quick serve restaurants, health, beauty, and home. We can see the follow-on impacts in terms of not only traffic, which continues to trend well, but also in our small shop demand. As we drive attractive ROI, we are also substantially improving the value of the centers impacted in terms of applied cap rates. In fact, when you consider our forward leasing pipeline, we expect our ABR from centers with a grocery anchor to increase to over 80% as we sign deals for new stores with tenants like Publix, Whole Foods, Sprouts, Trader Joe's, Aldi, and others. Speaking of our forward leasing pipeline, it continues to rapidly build as Brian will discuss. Our pipeline continues to convert to our pool of signed but not commenced leases, which at quarter end stood at \$56.7 million of ABR that will rent commence over the next several quarters as Angela will discuss in a minute. Those rent commencements will allow us to continue to deliver top line growth at the top of the sector, just as we did this quarter with base rent contributing 520 basis points.

During the quarter, we continued to deliver highly accretive reinvestments, bringing our total since we began to over \$890 million at an incremental 11% return. We also grew our in-process pipeline with \$77 million in new projects, including adding specialty grocers at Roosevelt Mall in Philadelphia and Middletown Plaza in New Jersey. Importantly, as we have demonstrated, these reinvestment projects also have a flywheel effect on our returns through growth and follow-on occupancy and rate at the centers impacted. Beyond that, our shadow pipeline includes over \$900 million of additional investment that will allow us to drive attractive ROI and growth in cash flows for the next several years, even in a rising rate environment. Remember, our plan is self-funded through free cash flow and importantly driven by opportunities we own and control.

From an external growth perspective, we have remained disciplined, holding on acquisitions and continuing to build dry powder through opportunistically harvesting non-core assets and through retained free cash flow. I believe that discipline will begin to pay off in the coming quarters as we are now seeing acquisition opportunities coming back to us at pricing surprisingly meaningfully less than those same assets were priced as recently as 18 months ago. Importantly, these are assets where we can leverage our value-added platform and our tenant relationships to deliver compelling returns. More to come there.

Finally, I'd like to give a shout out to the Brixmor team, who across all fronts continue to exceed expectations, delivering exceptional value to our stakeholders and in doing so, continue to drive us towards our purpose of creating and owning centers that are truly the center of the community they serve. Now, I'll turn the call over to Brian who will provide additional color on the strength of tenant demand in our centers.

Brian Finnegan

Thanks Jim and good morning everyone. As Jim highlighted, the broad depth of tenant demand to be in our centers is not only evident in our results during the quarter, but in our forward leasing pipeline as we continue to attract best in class operators at the highest rents we have ever achieved. This quarter we executed on 375 new and renewal leases totaling 1.4 million square feet, the highest number of new and renewal leases executed in the past year. Included within this activity were new leases with the top tenants in open air retail such as Burlington, TJX, Ross, Chick Fil A, and Five Below. In addition, we added several exciting new tenants to the portfolio during the quarter, including the Company's first new lease with Tesla, backfilling a 64,000 square foot box in the Houston suburbs for Tesla's showroom and repair center concept.

Our team also continued to capture the upside embedded in our below market leases with this activity as well, with new and renewal spreads of 15.4%.

New lease spreads were at 22.4%, reflecting a larger mix of small shop leasing during the quarter and the eighth consecutive quarter of new lease spreads over 20%, with our record new lease ABR of \$24.30 PSF, representing a 46% increase versus our in-place ABR. The strength of the overall leasing environment and the desire for tenants to remain in the Brixmor portfolio was also demonstrated in our renewal spreads which at 13.6% is 200 basis points above our trailing twelve-month average. The consistent execution in driving rates higher is a testament to our team and how they have capitalized on the transformation of this portfolio.

We continue to make progress on our bankrupt tenant space as well, out leasing the vacancy we took back during the quarter, to continue to grow portfolio occupancy to new heights. Specifically on Bed Bath, we are either leased, assumed, or at lease on approximately two-thirds of our Bed Bath space, with the top operators in the open-air space at rent spreads that are consistent with the 30% to 40% we communicated last quarter. We expect the majority of this income to come back online in 2024 as we are primarily negotiating with single tenant users for these spaces. This expected tenant disruption provides us a great opportunity to lease to better tenants at much higher rents.

Looking forward, we are encouraged by the resiliency of the leasing environment, with more anchor leases currently being negotiated than we have had in over three years and more new rent in our legal pipeline than we have ever had. The forward pipeline, along with the lack of new supply and a completely transformed Brixmor portfolio, put us in excellent position to drive long term sustainable growth. With that I'll hand the call over to Angela.

Angela Aman

Thanks Brian and good morning. I'm pleased to report another quarter of continued execution as we quickly and accretively capitalize on the strength of the current environment to address recent tenant disruption. NAREIT FFO was \$0.52 per diluted share in the second quarter, driven by same property NOI growth of 2.7%. Base rent growth contributed 520 basis points to same property NOI growth this quarter, despite a drag of approximately 50 basis points related to recent tenant bankruptcies. In addition, net expense reimbursements, ancillary and other income, and percentage rents contributed 80 basis points on a combined basis. As anticipated, revenues deemed uncollectible detracted 330 basis points from same property NOI growth, primarily due to the ongoing moderation of out of period collections of previously reserved amounts. As highlighted last quarter, out of period collections in the second quarter of 2022 were materially higher than in any other quarter during the year, creating the most difficult comparison period during 2023.

We remain pleased with the significant velocity we continue to experience within our signed but not yet commenced pool. During the second quarter, we added newly executed leases representing approximately \$16 million of annualized base rent, while commencing leases representing nearly \$15 million from the pool. As a result, at June 30, the signed but not yet commenced pool totaled 2.7 million square feet, or a record high \$57 million of annualized base rent, of which, we expect 1.3 million square feet, or \$25 million of annualized base rent to commence during the remainder of this year. These commencements will more than offset an additional 440,000 square feet of occupancy loss expected from Bed Bath & Beyond, Christmas Tree Shops, Tuesday Morning, and David's Bridal in the second half of the year as we harvest the below market rent basis embedded in our portfolio.

Our fully unencumbered balance sheet remains well positioned to support our balanced business plan, with Debt to EBITDA of 6.1x, 100% fixed rate debt, total liquidity of \$1.3 billion, and only \$300 million of debt maturities through year-end 2024.

In terms of our forward outlook, we have raised our 2023 guidance for same property NOI growth to a range of 2.5% to 3.5%, reflecting improved expectations for base rent and revenues deemed uncollectible at the lower end of the range. Our assumptions for revenues deemed uncollectible have been modified to a range of 75 to 85 basis points of same property total revenues for the full year, versus the prior range of 75 to 110 basis points. In addition, the midpoint of our same property NOI guidance range now reflects approximately 125 basis points of year-over-year impact related to lost rent and recovery income from recently announced or anticipated bankruptcy activity. Approximately 100 of the 125 basis points is related to store closures or lease rejections that have occurred or been announced to date, while the remainder will accommodate additional disruption that may be experienced during 2023.

We have also raised our guidance for 2023 NAREIT FFO to a range of \$1.99 to \$2.04 per diluted share. As the \$0.01 gain on extinguishment of debt this quarter was factored into our guidance raise last quarter, this quarter's \$0.02 FFO increase at the low end reflects the change in same property NOI growth guidance and revised assumptions across a variety of other line items including non-cash GAAP rental adjustments, G&A, and interest expense. And with that, I will turn the call over to the operator for Q&A.

QUESTION AND ANSWER

Todd Thomas - KeyBanc

First question I wanted to ask about the investment environment a little bit in light of your comments around assets coming back to the market at more favorable pricing. What's the Company's appetite like today to deploy capital into new investments? Can you talk about what that change in pricing equates to in terms of either higher yields or IRRs that you are underwriting today with some of this new product coming back to the market?

James Taylor

I'll let Mark comment a little bit, but maybe just to set the table. It's going to be driven by the returns that we see available on the assets that are coming back. We are really focused on those assets where we can drive outsized IRRs through lease-up density, better tenanting, leveraging our national relationships to basically take what will typically be privately held assets and drive returns. In terms of the pricing move, they're starting to move to a place where we believe that we can, even in this higher rate environment, higher cost of capital, acquire them accretively. But it's going to be driven by where

those assets are ultimately priced. Expect us to remain disciplined. We are encouraged by what we're seeing in terms of the movement in price, some of which is being occasioned by the lack of asset level financing or the constrained credit environment, as well as tenant capital requirements as we see tenants moving out.

Mark Horgan

What I'd add is volumes continue to be somewhat low, but I would say, real-time we're starting to see more sellers willing to meet the market. As Jim mentioned, from a price perspective, we're seeing assets settle out at pricing that starts to make more sense from our perspective. And you're seeing probably the biggest hit to value on those assets that were deemed "core", that is where you are seeing the biggest hit to value. You asked a bit about IRR. We think we can underwrite deals into the high-single digit, low-double digit unlevered IRR. It's what we're seeing today given the yield and growth that we expect to see in assets that we'll be acquiring. And the other piece I would add is we're starting to see more interesting yield opportunities and larger deals, say about \$50 million to \$60 million. We think there's kind of a pocket of opportunity there in those larger deals that'll show some higher yields and some good growth opportunities from here. So, more to come hopefully in the next quarter or so.

Todd Thomas – KeyBanc

Those one-off assets that you're seeing, is there anything of size, any portfolios that you might expect to sort of transact? And then separately, you increased your redevelopment and value enhancement pipeline spend during the quarter. Are you seeing more opportunities to accelerate projects there, given the lack of available space, but pretty good leasing demand, and should we expect to see that pipeline continue to build further given what sounds like a better environment for acquisitions?

James Taylor

We are seeing obviously the most compelling returns still within opportunities that we own and control within our redevelopment pipeline. And part of what's accelerating some of those opportunities is, frankly, the recapture of some of those bankrupt space, where with 30% to 40% spreads for example on the Bed Bath boxes we can drive some highly accretive, not only in terms of ROI, projects, but as I highlighted in my comments, the cap rate that would otherwise be applied when you backfill Bed Bath with a specialty grocer, with a more vibrant soft goods retailer.

In terms of the transaction market, most of what we are seeing and where we think the opportunities are going to be is single, larger assets. We are seeing some small portfolios too, but it is really going to be driven by the opportunity and the type of returns that we can deliver because importantly we do have a lot of great opportunity in what we own and control. As we weigh our capital allocation decisions, I think the good news for us is we are not waiting for opportunities. As we think about external growth, it really has to make sense in light of what we own and control.

Juan Sanabria – BMO

On the bad debt assumptions that you've improved here, given the results today, how should we think about that flowing through to occupancy for the second half? How much space is kind of coming back vacant temporarily? Is that the main driver for the implied deceleration in FFO from the second quarter run rate stripping out that \$0.01 from the debt gain?

Angela Aman

As I mentioned in my remarks, we're expecting something like 440,000 square feet to come back in mostly the third quarter, but a little bit into the fourth quarter from the currently announced bankruptcy activity. So Bed Bath, Christmas Tree Shops, Tuesday Morning, and then David's Bridal. We do have in the signed but not commenced pipeline about 1.3 million square feet that's expected to commence over the second half of the year as well. Even with some natural sort of attrition from normal course lease expirations, we're in a good position to grow occupancy through the second half of the year as well. So, we feel good about that.

In terms of the FFO deceleration, I'd note a couple of things as it relates to the second quarter. One is the gain on debt extinguishment. That was a component of the \$0.52. That's about a \$0.055 per share. We also had some straight-line rental income re-establishments that were, again, just under a \$0.01 a share. Those two things together were about \$0.025 in the second quarter. Stripping those out and using that to annualize for the second half of the year plus first half actuals, get you to about the midpoint of our range. From there, whether we come out at the low end or the high end is very much going to be dependent on the bankruptcy activity we just talked about, as well as any unanticipated kind of disruption we might see in the second half of the year.

James Taylor

And timing of rent commencement is something we are continually focused on, bringing that signed but not commenced pool into occupancy and rent paying. We have done a pretty good job, as Angela highlighted in her remarks, getting it rent commenced.

Juan Sanabria – BMO

My second question, just curious on what you guys are hearing or seeing from some of the pharmacies. You're seeing Walgreens kind of cut head count. CVS came out today and said it was going to cut some corporate head counts. Just curious on latest discussions with the pharmacies and space usage and

kind of just how you're feeling about that business and changes that we might expect going forward.

Brian Finnegan

I think if you look at the pharmacy real estate that we have across the portfolio, we've got some very attractive upside, particularly on some of those older Rite Aid locations or older CVS locations that might have been inline. We backfilled one of them with ULTA recently. You have seen some of the pharmacies look for smaller units too. We executed a couple of Walgreens locations in Texas for their smaller concept. I think if you look at some of the pad locations that they have, that they were really focused on kind of in the early 2000s of expanding, those are some of the most high-profile outparcels that we have across the portfolio. To the extent there would be a few closures, which we did experience after Walgreens purchased some of the Rite Aid boxes, we feel really good about the demand for those overall. So, certainly changing dynamics in terms of how they're thinking about their real estate, but as we sit overall, we feel like we have some pretty good attractive upside in our pharmacy space.

Ki Bin Kim – Truist

Just going back to the bad debt reserve, can you remind us what that reserve was? I think it was like 75 basis points to 110 basis points, not including the known budgeted move-outs. How that's evolved by 2Q and what your projections are for the remainder of the year?

Angela Aman

Our current guidance for revenues deemed uncollectible is 75 to 85 basis points. The prior guidance for that was 75 to 110 basis points. That's pretty much in line with our longer-term historical average when you take out some of the disruptions during the pandemic. We do think on a net basis for this year, we're going to come out kind of in line with the historical average for that number. On a year-to-date basis, we're running a little bit below that. We're about 50 basis points within the same store pool year-to-date. We were closer to the low end of that range at about 70 basis points in the second quarter. So that does imply a slightly higher run rate in the second half of the year. But we feel good that we're going to be within and towards the lower end based on the revised guidance of where we've been historically.

Ki Bin Kim – Truist

And just a high-level question. When you look at some of the at-risk tenants like JOANN, Michaels, or Big Lots, any high-level commentary you can share on what the potential upside or challenges might look like compared to the current slate of bankruptcies that you had to deal with, such as Bed Bath, Party City and so forth?

Brian Finnegan

I mean, not to get into individual tenant names, but as we've talked about on prior calls, we keep a watch list. Many of the names that you would think would be on there are on there. And I think over the years, our team has done a fantastic job of proactively addressing the space. We're talking about Bed Bath today. We went ahead and took back four Bed Bath spaces. As we look ahead of the bankruptcies and we've seen very attractive leasing, we've gotten ahead of those. We got ahead of Tuesday Morning as well. We are certainly looking at those opportunities. We have been aggressive in terms of recapturing space where we had the availability to do so. And in terms of the rents overall, we feel pretty good. I think those rents are in line with the \$9.00 and change rents that are expiring here over the next three years. And we've been signing those leases between \$14 and \$15 a foot. You look at the upside there, and it's pretty much what we see in some of that watch list tenancy as well. The other thing I'd point out is, you've just seen how tight the box environment is today in terms of what you saw at the auction for Bed Bath with retailers bidding on space, competition is for our box space across the portfolio. So, we feel confident to the extent we do get a few of those boxes back for the names that are on the watch list here in backfilling them quickly with better tenants at higher rents.

Caitlin Burrows – Goldman Sachs

On small shop leased occupancy, it's at a record 89.4%. So when you consider that 10% plus of availability, can you give any description of that vacancy, kind of what's frictional, in process to be replaced quickly, maybe what's been vacant longer, and what that kind of means for the path for small shop occupancy and, ultimately, overall occupancy over time?

James Taylor

I really appreciate the question and you're highlighting an important growth lever for this platform, in part because within our active reinvestment pipeline, we have a couple hundred basis points of drag on occupancy for assets where we're replacing anchors or doing facades or doing larger reinvestments that we fully expect that we'll lease those spaces as we deliver the reinvestment. In fact, our experience has been that we pick up our small shop occupancy at reinvestment projects by several hundred basis points. And it's not only the pickup in occupancy, but the growth in rate can be 20%, 30%, 50% in the small shop spaces when we've substantially improved the center. So we have that growth, if you will, in reserve.

The other thing to think about is, as we continue to transform this portfolio, we'll continue to set new records in terms of small shop occupancy and we have more than a couple hundred basis points to run there. So it is an important growth lever. As I mentioned in my remarks, it's somewhat of a flywheel growth effect to, you replace a tired anchor with a vibrant soft goods or specialty grocery use, you see the benefit throughout the property, even the spaces that you don't impact directly. So it is something we're very focused on. We're managing our portfolio for growth, not occupancy. I want to highlight that. And our strategy of keeping spaces vacant in reinvestment projects speaks to that.

Caitlin Burrows – Goldman Sachs

And just back to the acquisition topic. So when we look at that leverage is now 6.1x, to the extent you were to identify an opportunity, how would you think about funding that maybe up until a certain size just with retained cash, but over a certain amount like debt or dispositions or how are you thinking about that?

James Taylor

Well, obviously, free cash flow first, asset dispositions as we continue to harvest some non-core assets, and then we'll look at the investment opportunity relative to what our overall cost of capital is, as we always do, to make a decision to responsibly fund it. We're not going to lever up. We're going to continue to be disciplined from a capital standpoint and mind our balance sheet.

Craig Mailman – Citi

I just wanted to follow up on the acquisition piece a little bit. I know you and Mark kind of went through the yields there. But I'm just kind of curious, as you guys are evaluating these, how much weight you're putting on that current going-in yield versus the longer-term opportunity on the IRR side and kind of balancing the accretion versus cost of capital near versus long term?

James Taylor

It's a great question. And we're focused on that going-in yield, that's the in-place cash flow. But we're also looking for opportunities where we can grow that and importantly, very visible opportunities. In other words, you're not really having to spec a lot because of our understanding of tenant demand to be in that particular center. Our understanding, because we are in the markets, where market rent is and our understanding of how we can densify the site, add outparcels and other uses to drive returns. And really, it's a focus on that going in return, yes. But also, with very highly visible growth opportunities within the first three to five years. If you look much past that, I think it becomes anybody's guess. So, as you overlay that sort of thinking and you think about what we've done historically, you'll see our pattern has been very consistent. Acquisitions like Granada Shoppes or Bonita or out in California, Brea, where we have actually exceeded our underwriting in terms of rents achieved and overall growth in returns. Think about it as more fuel for our value-added furnace. And if we don't see the opportunity, if it's not evident, we're just not going to be as competitive. One of the things that we find encouraging is that in this environment, we are seeing the pricing and you speak to that upfront yield moving to a place where it becomes logical for us to consider it. Stay tuned, we'll see. But expect us to remain disciplined.

Craig Mailman – Citi

Switching gears, and I know Brian was talking about the anchor pipeline that you guys have. I'm just kind of curious, given this limited supply, there's clearly more people looking than there are spaces. But how do you balance kind of getting that last dollar rent versus just portfolio diversification between the off-price retailers themselves or other kind of verticals? How are you guys looking at that given some of the anchor troubles that pop up every five to ten years, just how to manage that risk going forward?

James Taylor

It's a great question and something we're laser-focused on as we think about tenants going forward that we want to do more business with. We obviously have a very diversified tenant base, one of the most diversified in the sector. We don't have any tenants constituting really any significant part of our rent. And we do think about tenant diversification and credit quality as we make those decisions so that we're not just making a decision about growth, which you see in our results, but also the stability of the tenants and their credit worthiness as we make those decisions. We do a lot of credit underwriting led by Angela and team, but we're also really using data more than we've ever done before to understand how productive a tenant is going to be in a particular location because it's not just the credit quality of the tenant, it's also how successful are they going to be. Are they going to drive good sales? Do you have a high likelihood that they're going to renew and they're going to renew at a higher rate? So those are the types of things that we think about. And if you just look at our top tenancy over a long time series, you can see the continued improvement in the credit quality. It's part of why we outperformed through the shock of the pandemic, but it's also, I think, going to be a crucial part of our outperformance going forward.

Greg McGinniss – Scotia

Could you just provide some more color on the outcome of the Bed Bath bankruptcy process, including number of leases assumed, specific tenants that won those leases at auction, or tenants that are signing new leases and LOIs?

Brian Finnegan

We had nine boxes remaining at the end of the quarter. We're taking six back here in the third quarter. Two were assumed by Cost Plus. One was assumed by Burlington. We also took back one box in the Northeast as well. And just to piggyback on what Jim was just talking about, I mean, the depth of demand that we're seeing overall for boxes has been very encouraging. We signed a lease on one of the boxes last week with one of the top operators in the off-price space. We've been seeing specialty grocery, home, fitness, and I think outside of that, you see operators in the sporting goods sector, you see operators in the wellness sector. We mentioned our first deal with Tesla this quarter, operators like that that are competing for box space. So overall, we're very encouraged about what we see so far on the Bed Bath space and really all the bankrupt space that we took back. The team's done a fantastic

job quickly addressing the Tuesday Mornings with the likes of Five Below, JD Sports, and Ulta. So as we proactively have taken and we're getting some of this space back, overall, we've been pretty encouraged, and you'll see us continue to communicate on the types of tenants that we're able to bring into the portfolio.

Greg McGinniss – Scotia

And then in thinking about potential for occupancy loss as opposed to credit concerns or bad debt, aside from Sally Beauty Holdings, are there any other tenants pursuing store optimization plans that might be a headwind over the next 12 months? And then to clarify one point, when you mentioned growing occupancy in the back half of the year, is that both in-place and leased occupancy?

Brian Finnegan

Again, not to get into individual tenants, but we're constantly monitoring tenants. Our watch list is not just credit. Our watch list is also tenants that are looking at pulling back on some of their store openings. What we've seen though, particularly in the small shop space, is just an incredible depth of demand. And we hit on some of the anchors. But if you look at boutique fitness, if you look at QSR restaurants, if you look at all the retailers that we're attracting to the portfolio, there's a significant depth of demand that's there to backfill any closures that we may get back. And as Jim mentioned, as we continue to bring more anchors in, as we continue to reinvest in the portfolio, we still see occupancy on small shops side getting into the low 90s. In terms of occupancy declines, as Angela hit on, we are facing some potential occupancy headwinds here in the third quarter from those bankrupt tenants. But with the pipeline that we have, we feel, long term, I think the trajectory to grow occupancy by year-end.

Angela Aman

I think that's right. The comments I made were specifically about billed occupancy and the flow-through to same-property NOI growth. But as Brian highlighted, we feel very strong about the pipeline, about the continued transformation of this portfolio, and our ability to continue to push both billed and leased occupancy higher over the near term.

Jeffrey Spector – BofA

Just a quick follow-up on the earlier conversation on anchor space versus small shop. I know it almost feels like, every few years, it changes on the mix. I guess, Jim, to confirm, you know, I guess from your analysis, are you saying that you know there is a certain right mix between small shop and anchors? Have small shops basically held up a lot better over the years than expected that you would want to shift a bit more to small shops?

James Taylor

You know, it really depends on the center. It's a great question and also the other follow-on question of what's needed in that particular submarket. We like that our centers generally have a great mix of anchors, junior anchors, and small shops to allow us to drive the best growth. You get more consistent annual embedded rent growth bumps in the small shops, both national and regional, in terms of the intrinsic growth. But you also need the anchor. So it's really an asset by asset decision. But when you look at the portfolio overall, I think we have a great mix and we'll make decisions to downsize junior anchors into small shops. We'll similarly do the same in a particular market on an asset based on demand and based on returns consolidate small shop space into a junior anchor. It's one of the great flexibilities of our asset class, which I really like. It's basically a simple industrial building with a pretty facade where you've got HVAC on the roof, power comes in the back. So you have the ability to optimize the center to serve a particular community and get the mix right.

Jeffrey Spector – BofA

There's clearly some concern today, let's say, over some slowing. I'm thinking about all the remarks on leasing and the bankruptcies. Just to clarify, on the bankruptcies for the year, are they in line with your expectations, let's say, if we go back to December, a bit higher, and maybe more important as we think about the next year, again, is it still kind of in line? Or again, are you flagging it's a bit worse or higher than expected?

Angela Aman

I think we've given really explicit guidance as it relates to the impact on the portfolio and on same property NOI growth from bankruptcy activity over the course of this year. And that number is clearly improved. So our original guidance was a drag on a year-over-year basis of 150 basis points. We've tightened that into 125 basis points this quarter. I think the names we're talking about that make up sort of that known bucket which include Bed Bath & Beyond, Christmas Tree Shops, Tuesday Morning, and David's Bridal are bankruptcy situations we've been following or monitoring for some time. So not a lot of surprises within that pool. And we haven't seen additional filings and we have continued to recognize that there's a potential for those in the second half of the year, but nothing's really materialized over the last quarter. So overall guidance is clearly improved on the bankruptcy front.

Jeffrey Spector – BofA

And then last, if I could just confirm on commencements, how are commencements happening on schedule? How do they compare to, let's say, six months ago or year ago? And how are you thinking about commencements over the next six to 12 months?

Angela Aman

We're really pleased with the degree to which we've been able to continue to not just commence the leases we have coming online on time, but actually continue to accelerate some of those commencements into earlier periods, which we did in the second quarter as well. I think we outperformed our expectations on commencements by \$2.5 million to \$3.0 million, just pulling forward some leases that weren't expected to commence until the third and into the fourth quarter of this year. So that's a pretty stable trend and has been over the last couple of years as we really work to sort of optimize the process and recognize efficiencies in order to get tenants open and operating more quickly. As I mentioned in my prepared remarks, we've got about \$25 million of ABR coming online in the second half of the year. That's 1.3 million square feet. And we will continue to focus on getting those tenants not just open on time, but continuing to accelerate some of those commencements and even commencements expected in the first part of 2024.

Dori Kesten – Wells Fargo

Have you seen any notable improvements or slowing in the timing of rent collections within small shops?

Angela Aman

We really have not. The collection rates across our portfolio looking at different merchandise categories and anchor versus small shop have stayed very consistent over the last six to eight quarters. So we're really pleased to see that trend continuing to hold up and can't point to any deterioration. I'd also point to my earlier comments. When you look at the total amount of revenues deemed uncollectible that we've recognized in the portfolio on a year-to-date basis, it's about 50 basis points, which was below the low end of the guidance we had given and allowed us to really tighten in our expectations for the full year.

Dori Kesten – Wells Fargo

I think you said \$900 million shadow pipeline. Can you compare these developments to your existing pipeline, maybe just return expectations, time to completion, any kind of other learnings?

James Taylor

The returns are equally compelling. And the reason it is our shadow pipeline is we have these pesky things called leases that are in place today. But if you look at our rolling lease expiries and the market that we have of over 50% between where those anchor leases are rolling and where we're signing rents today, it gives you a very clear view of our path to be able to continue to tap into that opportunity as it ripens, as it comes due. One of the other things that I think is important to appreciate is that we're not committing substantial capital until we've got those projects largely pre-leased. So as you think about the coming economic environment, whatever it might be, it's really an all-weather strategy. We're really not taking substantial risk. So we've identified the opportunities. We're working towards them. And it really represents several years of a forward pipeline driven in part by when the leases expire and when we can take control of the space. Things like Bed Bath allow us to pull some of that forward. And we added a couple of projects into the pipeline this quarter that reflect some of that. It truly is a very visible pipeline for us. And you can see it based on the marks that are embedded in our anchor rent.

Anthony Powell - Barclays

A question on lease spreads. They're strong in the quarter, but I guess they were down sequentially on the new side especially. Is there anything to be aware of in terms of either mix shift or comps on lease spreads in the quarter?

Brian Finnegan

I talked about it in my opening remarks that it was really a mix issue. We had a higher percentage of small shop leasing during the quarter. We did sign leases at the highest rents that we ever have, 46% ahead of our in-place ABR. But we still feel very good long term about our team's ability to bring leases to market. As we've highlighted a couple of times on this call, as we look out three years, we've got anchor leases expiring in the high single digits just over \$9.00, and we've been signing those between \$14.00 and \$15.00. So long term, we feel good about our ability to continue to drive new lease growth. You may see some fluctuations in a given quarter, but really this quarter, it was due to the mix.

Anthony Powell - Barclays

On the base rent growth, 520 basis points year-over-year, that's pretty strong. What's the split between occupancy and rent growth there? And do you think that number could stay above 5% in the next few quarters as you deal with these tenant bankruptcies and releasing?

Angela Aman

If you look at our full year guide for base rents, sort of at the midpoint of the range, is probably about 425 basis points. So we are expecting deceleration as you get into the back half of the year. I would say that's driven by two things. One is, as you pointed out, the impact of some of that vacancy that's coming back to us through some of these bankruptcy situations which really didn't have any impact on the first quarter and a more muted impact on the second quarter. So that's certainly part of it. The other factor I would just point out, when you think about that as a year-over-year contribution is the ramp we had in base rent between the third and fourth quarter of 2022, there was substantial growth there. So some of it's just a more challenging

comparison period that gets you sort at the midpoint of the range, more like a 425 basis point contribution from base rent. I would say on a net basis within that 425 basis point contribution, it's about 100 basis points, give or take, that relates to occupancy growth outside of a net basis for the bankruptcy activity. So clearly, the degree to which we're increasing billed occupancy is definitely driving some of that outsized performance over the course of the full year. The rest is really rent growth.

Haendel St. Juste - Mizuho

I appreciate the color on the expected ABR in the back half of the year. I think you mentioned \$25 million, but I was hoping if you could give a bit more color on a good starting point for quarterly ABR as you start thinking about the portfolio's growth potential near term in light of the recent bankruptcies and if there's any impact from FAS 141 you'd be making in there?

Angela Aman

Nothing really to note at this point in terms of FAS 141 impacts related to the bankruptcies. We provide some disclosure in the 10-Q that kind of gives you a sense of what to expect in terms of FAS 141 for the balance of the year, but no real outliers from that perspective. On a quarterly basis, I can say if you look at all the bankrupt space we had that we expect to come back, that ties back to that 440,000 square foot number I gave earlier in terms of occupancy loss expected in the third quarter related to the bankruptcy situation, that translates into about \$1.5 million of quarterly ABR that would have been recognized in the second quarter. That will be lost as we get into Q3 and on a full quarter basis in Q4.

Haendel St. Juste - Mizuho

CapEx that's the absolute and percentage of NOI has barely grown in the industry the last couple of years. I'm curious if and when the recent leasing velocity, the higher occupancy, less big boxes to fill, improved centers that you outlined will start helping that line item. So maybe some thoughts on how you're thinking about CapEx or your expectations near term?

James Taylor

An opportunity we saw when we came in was to make the centers look better. You certainly saw us increasing in earlier years the CapEx per foot. As we get through this program and we're already seeing it, we expect the CapEx on a recurring basis to decline given the improvements we've made to the centers. The other area where I think we continue to show discipline is within the effective rents, and we actually show you our net effective rents, which is not common practice. I think it should be because to really understand how much ROI we're driving, you've got to look at not just the spreads, but you've got to look at what you're giving in terms of TAs and other capital. So, I feel really good about our ability to continue to drive high ROI in this environment given our rent basis and given the discipline that we've approached that capital question with.

Michael Mueller - JPMorgan

How do the return expectations on the \$900 million shadow reinvestment pipeline compared to the current returns? And if you're looking within that pipeline, are there any larger scale projects in it like Pointe Orlando or Roosevelt or is it just smaller scale?

James Taylor

It's a mix. We do have some larger projects. The returns are high single-digit, low double-digit incremental returns, And I think that's important because not everybody's showing you what their incremental returns are. And with some of the larger projects, we continue to phase them to manage our capital at risk. Frankly, we find through phasing that we drive even better rents in subsequent phases. There are some larger projects in there, many of which we've already started initial phases like Pointe Orlando.

Angela Aman

Just to note, we do provide some disclosure in the supplemental that list by project, the projects that make up that \$900 million to \$950 million of future redevelopment pipeline and we break that down between major redevelopment projects and minor redevelopment projects. So, while we haven't given specific expected dollar amounts by project, I think you can get a sense of where some of the larger opportunities in the portfolio are from that disclosure.

Floris van Dijkum – Compass Point

Getting back to the small shop opportunity because, to me, that's one of the more exciting things that you guys have at historically lower occupancy. Remind us again what your average occupancy is in your small shop assets once they have been redeveloped? And a significant portion of your portfolio is now redeveloped, so it should be a meaningful indication for where you can take your shop occupancy going forward?

James Taylor

It's low to mid-90s, typically within a few years of the project delivering. We typically let some of the small shop space go vacant as we execute upon the redevelopment and then we see several hundred basis points of improvement as we deliver the anchors and deliver the overall reinvestment.

Floris van Dijkum – Compass Point

So, if I take 93%, 250 basis points, 300 basis points, that is the potential upside that is still left in your small shop space. Is that the right way think about it?

James Taylor

Yeah. We are not going to be precise, but we think it is in rage.

Angela Aman

I would just also note, Floris, the math you just did sort of compares a billed occupancy number that Jim was talking about in some of the stabilized redevelopment projects versus where we stand from a leased occupancy perspective today. Billed occupancy in small shop is actually 84.6%. So I would note that there's a lot of opportunity relative to where we stand on billed occupancy within the small shop pool today.

Floris van Dijkum – Compass Point

I noticed a couple of your biggest or most valuable properties, like Roosevelt, are getting a Sprouts and now that they will become grocery anchored which should be very positive. If I recall the average rents in place in that property are still relatively low although some of the rents are in the \$60s or higher. So it's potentially an exciting growth opportunity on a large site. If you can expand a little bit on some of these larger assets and the growth opportunities that you see and also talk about the residential component at Mira Mesa. And would you look to offload that or partner with a local developer?

James Taylor

Well, let me take the last part of that question first. We have several opportunities like Mira Mesa across the portfolio where we could add additional users, additional density. And we're working to get that entitled. Whether or not we would pursue that directly, my instincts are, that in most circumstances, as we did in College Park, Maryland, we'll harvest the entitled land value and let somebody else build it to a private type development return. I think that's the way to for us to maximize value.

In terms of larger projects, you mentioned Roosevelt, we're launching the first phase, which includes Sprouts. We have some exciting additional densification opportunities there that we're rapidly leasing and getting ready to launch. So big value creation both in terms of density, but also rate as you mentioned. Projects like Wynnewood outside of Dallas, a large site where we're bringing in a Target, and we're bringing in other great uses into a very well-located older shopping center. Or UC Davis, where we have the opportunity to add a really compelling lineup to an existing Trader Joe's. So we have several projects like that across the portfolio where, as I mentioned earlier, typically we'll deliver them and execute them in phases, leveraging the leasing momentum, the upgrade in tenancy, the ability to add density. And then as it relates to complementary uses, we'll work to get those entitled. But typically, when you do the math, it may make sense to harvest that value versus taking the capital risk of development.

Alex Goldfarb – Piper Sandler

First off, on insurance, we all well know the property insurance issues. From a tenant business insurance perspective, are there similar issues on the business operation insurance or insurance that tenants will get or are the issues that we're reading about with insurance rates solely property and is not affecting tenants ability to get their own business type insurance?

Brian Finnegan

We haven't heard any tenants talk about ability to access insurance. I think some rates have gone up, particularly in some parts of the country, as you think about Florida, but it really hasn't impacted in terms of the availability of getting insurance. And look, we look at our insurance from a platform perspective. And our team is well ahead of that and understanding what some of those increases could be on the property side, but hasn't really come up from a tenant standpoint yet.

Alex Goldfarb – Piper Sandler

Going back to Haendel's question on cash margins. As the portfolio leases up and gets near full occupancy, do you see that your cash flow will naturally increase or is that because you're always going after under market space and doing the small-scale redevelopments that whatever cash you save by the occupancy getting up is going to be used for reinvestment. So that way net cash flow that the Company is generating really won't increase. It's just a matter that it gets redeployed?

James Taylor

No, the net cash flow should continue to increase as we're investing that at high single digit, low double digit incremental returns and we're actually delivering those projects and we're rent commencing them sooner than what we have budgeted. So, you see the follow-on impact to our cash flows. And I'm very pleased that our cash flows off a portfolio of 365 assets are in line with what 520 or 530 were, really reflecting that discipline with capital. What I was referring to also is the recurring capital that occurs at the center, your recovery rates obviously improve upon that as you drive occupancy, in addition to our reinvestment program brings down that recurring CapEx load. All three of those things continue to contribute to growth in our net cash flow.

Linda Tsai – Jefferies

I think historically the industry might have seen more retailer closures and bad debt in the first half of the year versus the second half. And while you improved your overall bad debt guidance, guidance implies more bad debt in the second half. Do you see this as a function of closures building as we head into next year or was there anything specific to the first half, second half cadence this year?

Angela Aman.

I think if you look back over the last couple of bankruptcy cycles that historical concentration of bankruptcy activity right after the holidays has really evened out over the course of the year. We've seen more filings in the late summer and fall as tenants work so to build inventory for back to school or holiday periods. So you have seen more later in the year bankruptcies than you would have 10 or 15 years ago. I think given the complexities of the environment these days, including interest cost and all kinds of stress on lots of different businesses across lots of different sectors, we're maintaining, I think, a thoughtful approach as we look at guidance for bad debt in the second half of the year. But as you pointed out, we are running a little bit below the low end of that level year-to-date.

Linda Tsai - Jefferies

And then in terms of the depth of demand across small shops, is there a particular space size where you're seeing more demand?

Brian Finnegan

I would say just in terms of a category, it's outparcel space for sure in that 2,000 – 3,000 square foot QSR. That's probably a little bit smaller, if you look at the in line space, 1,000 to 2,000 square feet from whether that's health and wellness, smaller boutique fitness operators, or specialty desserts like Crumbl Cookies. They've been a really exciting tenant we've added across the portfolio in a number of locations. So overall I think we've been pretty pleased. But if you're thinking of a specific size range, I'd say it's in that 2,000 to 3,000 square foot for outparcels and the small shops and then 1,000 to 2,000 SF as well for in line.

###